

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF DELAWARE**

In Re:	§	Chapter 11
	§	
W.R. GRACE & CO., et al.,	§	Jointly Administered
	§	Case No. 01-01139 (JKF)
Debtors.	§	
	§	

**FEE AUDITOR'S FINAL REPORT REGARDING
FEE APPLICATION OF LUKINS & ANNIS, P.S.
FOR THE NINTH INTERIM PERIOD**

This is the final report of Warren H. Smith & Associates, P.C., acting in its capacity as fee auditor in the above-captioned bankruptcy proceedings, regarding the Ninth Interim Fee Application of Lukins & Annis, P.S. (the "Application").

BACKGROUND

1. Lukins & Annis, P.S. ("Lukins"), was retained as counsel for Zolonite Attic Insulation Claimants. In the Application, Lukins seeks approval of fees totaling \$106,233.00 and costs totaling \$7,240.24 for its services from April 1, 2003, through June 30, 2003.

2. In conducting this audit and reaching the conclusions and recommendations contained herein, we reviewed in detail the Application in its entirety, including each of the time entries included in the exhibits to the Application, for compliance with 11 U.S.C. § 330, Local Rule 2016-2 of the Local Rules of the United States Bankruptcy Court for the District of Delaware, Amended Effective February 1, 2001, and the United States Trustee Guidelines for Reviewing Applications for Compensation and Reimbursement of Expenses Filed Under 11 U.S.C. 330, Issued January 30, 1996, (the "Guidelines"), as well as for consistency with precedent established in the

United States Bankruptcy Court for the District of Delaware, the United States District Court for the District of Delaware, and the Third Circuit Court of Appeals. We served on Lukins an initial report based on our review, and received a response from Lukins, portions of which response are quoted herein.

DISCUSSION

General Issues

3. In our initial report, we noted that time entries were adequately detailed and devoid of lumping.

4. The Appointment Order authorizes a total budget for ZAI Counsel of \$1.5 million in fees and \$500,000 in expenses for prosecuting the Science Trial, against which Lukins may be compensated for legal services at its hourly rates as specified to the Court, and for actual and necessary out-of-pocket expenses incurred... On July 28, 2003, the Court entered an Order authorizing an additional budget of \$950,000.00 per side for additional attorney fees and expenses. By our calculations, Lukins has submitted \$337,820.00 in fees and \$26,207.28 in expenses from July 21, 2002, through June 30, 2003. When Lukins' billings are added to those of the other ZAI Claimants' counsel, total ZAI Claimants' counsel billings for fees and expenses are \$2,559,285.23 through June 30, 2003. There would appear to be \$390,714.77 remaining under the cap currently authorized through the existing Orders.

Specific Time and Expense Entries

5. We note a single meal expense entry for which there is insufficient information.

The entry is provided below.

05/06/03	Meals - Darrell W. Scott for Kilpatrick deposition	\$	28.37
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in Seattle, WA

We asked Lukins to provide the number of diners and to specify whether the meal was breakfast, lunch or dinner. Lukins responded as follows:

...This meal was for lunch at Mayflower park Hotel in Seattle for the deposition of John Kilpatrick. There were two diners, Darrell W. Scott and the deponent, ZAI Claimants' Expert John Kilpatrick...

We appreciate the information and offer no objection to this expense.

CONCLUSION

6. Thus, we recommend approval of fees totaling \$106,233.00 and costs totaling \$7,240.24 for Lukins' services from April 1, 2003, through June 30, 2003.

Respectfully submitted,

WARREN H. SMITH & ASSOCIATES, P.C.

By: _____

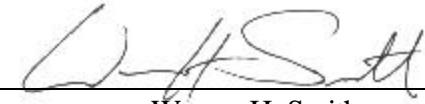

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FEE AUDITOR

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing document has been served First Class United States mail to the attached service list on this 24th day of September, 2003.



Warren H. Smith

SERVICE LIST
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